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CANADA AT WAR

A Summary of
CANADA'S PART IN THE WAR

April, 1942



MOBILIZATION of MANPOWER



APR 22 1942

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of the Hon. J. T. Thorson, Minister of National War Services

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Declaration by United Nations

ON JANUARY 1, 1942, at Washington, the signatures of the representatives of 26 nations were placed on a document, which might well rank in historical importance with the Magna Carta and the Declaration of Independence.

The Declaration reads in part:

“Having subscribed to a common program of purposes and principles embodied in the joint declaration of the President of the United States of America and the Prime Minister of the United Kingdom of Great Britain and Northern Ireland dated August 14, 1941, known as the Atlantic Charter, being convinced that complete victory over their enemies is essential to defend life, liberty, independence and religious freedom, and to preserve human rights and justice in their own lands as well as in other lands, and that they are now engaged in a common struggle against savage and brutal forces seeking to subjugate the world, declare:

“(1) Each government pledges itself to employ its full resources, military or economic, against those members of the Tripartite Pact and its adherents with which such government is at war.

“(2) Each government pledges itself to co-operate with the governments signatory hereto and not to make a separate armistice or peace with the enemies.

“The foregoing declaration may be adhered to by other nations which are, or which may be, rendering material assistance and contributions in the struggle for victory over Hitlerism.

“Done at Washington, January First, 1942.”

(Signatures of 26 United Nations):

The United States of America

The United Kingdom of Great Britain and Northern Ireland

The Union of Soviet Republics

National Government of the Republic of China

The Commonwealth of Australia

The Kingdom of Belgium

Canada

The Grand Duchy of Luxembourg

The Kingdom of the Netherlands

The Dominion of New Zealand

The Republic of Nicaragua

The Kingdom of Norway

The Republic of Panama

The Republic of Poland

The Republic of Costa Rica

The Republic of Cuba

Czecho-Slovak Republic

The Dominican Republic

The Republic of El Salvador

The Kingdom of Greece

The Republic of Guatemala

The Republic of Haiti

The Republic of Honduras

India

The Union of South Africa

The Kingdom of Yugoslavia

The Price of Victory

“OUR DEMOCRACY and the whole civilization that we associate with it is threatened as never before. All the democratic nations are facing the danger of a ghastly defeat at the hands of the fanatics opposed to us. This is true not only of the lands abroad, most of which have already fallen under the heel of the conqueror. It is true of our own continent, which is itself menaced for the first time. Twenty, ten, five, even two years ago no one would have doubted that democracy would survive and flourish through this century and for hundreds of years to come. Now there is real reason to doubt unless the democratic nations can stir themselves to wage total war successfully. The totalitarian states have armed so well, have prepared themselves materially and intellectually so well for total war that they have been sweeping everything before them. If they are not stopped they may wipe out for generations our democratic way of life and our civilized heritage. Then they

will subject us not only to the terror and tyranny that the Germans have suffered at the hands of the Nazis, but they will make us definitely a subject race—a nation of serfs serving the Herrenvolk and living on their leavings.

“What is it that the democracies lack? I will tell you what I think it is. I think it is the efficiency that comes from discipline. Discipline in a democracy has to be *self-discipline*. We govern ourselves. And the one serious doubt that has nagged at my mind through the last year or two is a doubt as to whether we in Canada and the United States, and for that matter in Great Britain, have the capacity for the degree of self-discipline necessary for the efficiency required to win . . .”

“Never for a day or an hour should we forget that to win this war we must work, organize and fight as never before—that we must be efficient, enterprising and tough, that we must create and operate as large and efficient a war machine as our totalitarian enemies, that we must be just as willing to sacrifice our individual and group interests to achieve the supreme and all-important purpose of victory and that we must have a vital dynamic unity of action, not a mere static unity of compromise and counterbalance.

“Democracy has always been renowned for the rights of the individuals who enjoyed it. We cherish our freedom of speech, of criticism, of action, our right to vote, our liberty to do what we please within the laws that protect our rights; have been less prepared to recognize and to emphasize our democratic responsibilities. We believed, rightly, for a time at least, that the seeking by individuals of their own interests, their own welfare, would promote that of all. Now in the face of great danger our responsibilities are foremost. Now our main objective is not to further the welfare of the individual, but to protect the whole civilization that makes possible the welfare of individuals. We must subordinate the rights and interests of individuals and of groups to the common cause of all—of the nation—indeed of all the Allied Nations—nothing less will win a *total* war.”

HON. J. L. ILSLEY,

Minister of Finance.

March 17, 1942.

MEN

Mobilization of Manpower

AN extended National Selective Service plan for mobilizing Canadian labor was announced by the Prime Minister on March 24. The plan has been laid down by the Dominion Government to meet the growing demands for manpower in the armed services, war industries and agriculture. In the next 12 months 200,000 volunteers will be required for the armed services, in addition to many thousands for compulsory military service. For war industries another 100,000 men and women must be found. To supply this urgent manpower need, these 300,000 and more must be added to the million Canadians now engaged in some form of war service.

Increasing raw material shortages and government restrictions on production and consumption of civilian goods are making an increasing number of workers available for other employment as "non-essential" output is progressively curtailed. The Selective Service policy is to direct these surplus workers into the war work they can do best while maintaining essential civilian services by employing women as far as possible or men unfit or too old for military service.

The organization and administration of the plan is necessarily complex. It involves several departments of government. A Central Registry for compiling the necessary data on manpower needed and available will be set up in the Department of Labor, and the Minister of Labor will be primarily responsible for carrying out the plan. Under him will be a Director and Associate Director of National Selective Service. Regional Officers will be appointed and they will be advised and assisted by voluntary unpaid citizens' committees.

Farm Labour Mobilized

Emphasizing the vital role being played in this war by food, farmers, their sons and farm laborers are granted an indefinite postponement of compulsory military service if they are doing essential farm work. They may enlist as volunteers in the armed forces, but they cannot accept any non-agricultural work except seasonal employment in a primary industry like fishing or lumbering, unless granted special permission. Only those returning to agriculture after March 23, 1942, or those doing non-essential farm work will normally be called for compulsory training and service.

A number of measures are being taken to recruit a greater number of women in civilian work and in war service. Training centres and placement services will be established. Transportation may be paid to another area, and every effort will be made to provide housing, medical care and recreation. Married women may enter many positions formerly closed to them.

Many Occupations Restricted

Men that are physically fit and of military age, 17-45, are barred from accepting employment, without special permission, in a long list of restricted occupations, including: bookkeepers, typists, clerks, salesmen and taxicab drivers; wholesale and retail trade; advertising and real estate. Such recreational occupations as theatres and clubs are restricted, and such personal service as barbering, hotels and cafes. Also barred are any occupations such as the manufacture of bread, liquor, furniture, printing, and games; and any occupation in the repair of clothing, shoes, furniture, jewellery and musical instruments. Men now employed in these occupations are not required to quit their jobs.

Besides these numerous restrictions, the Selective Service plan will continue, on a considerably increased scale, the compulsory calling-up of men for training and service in the Army in Canada. Its scope will be broadened by raising the age limit from 24 to 30, making all fit men from 21 to 30 subject to call if they were unmarried or childless widowers prior to July 15, 1940. In place of calling up by

age groups, lots will be drawn over the entire field. Residents of Canada that are not citizens will soon be made liable for service.

Free medical treatment, with compensation for time lost, will be made available for the above trainees if they have some physical disability that can be cured within a reasonable time. Volunteers for the Army or Air Force that are rejected for similar remediable defects may also receive this treatment by agreeing to enlist as soon as fit.

Employment of Engineers

Because of the urgent need for professional engineers, it is provided that—if an engineer is willing—the Minister of Labor may require his employer both to release him and later re-hire him when his work is completed. This practice may be extended to include other categories of skilled workmen. The government policy is co-operation, rather than compulsion. The Minister must also approve the employment of any technical worker and be kept informed of those hired or released, so that their location may always be known.

As increasing the number of men and women available for war work is not in itself enough, the Government has co-operated with industry to train 120,000 unskilled workers for the munitions factories. This training will continue on an increased scale. Other steps taken are to train partially skilled workers so as to replace those highly skilled and free them for the most exacting tasks.

The government is also co-operating with Canadian universities to train suitable candidates as supervisors and personnel experts. Later, foremen may also be trained. This training should improve labor-management relations and thus increase output by raising morale.

The National Selective Service regulations affect every Canadian and should be studied in more detail as it is the policy of the government to employ compulsion only when the voluntary method fails, and it is relying on the people of Canada to do everything they can to swell the ranks of the million and more now in the services or doing some form of war work essential to the greatest possible national war effort.

Enlistment Program

LIKE the nature of warfare itself, the type of armed forces trained by the Dominion has changed vastly from the First Great War. In 1914-18 Canada's military manpower was overwhelmingly earth-bound, foot-slogging infantry. This time there are three large and important services making their demands upon Canadian manpower; calling for an infinitely greater quantity and variety of equipment and a much greater degree of technical training than the Canadian forces of a generation ago.

This time there is a much larger Navy; growing rapidly, and limited only by the number of ships available. The Navy can use many more keen and young men.

This time the Great War role of infantry is all but a memory. Canada is raising, equipping, reinforcing and maintaining the most highly mechanized and mobile army in the world.

This time air strength is the third arm of military might. Its presence is essential to the successful operation of the other two arms. From the outset Canada has concentrated on making the British Commonwealth Air Training Plan one of the Dominion's most important military contributions. By nature of geography and resources in young manpower, Canada has been a highly suitable place for the development of this Empire enterprise.

Enlistments in the armed services at the end of 1941; program for 1942 fiscal year, and total prospective enlistments at March 31, 1943, follow:

	Enlistments	1942 Program	Prospective at March 31, 1943
Navy	27,000	13,000— 13,000	40,000— 40,000
Army	295,000	90,000—100,000	385,000—395,000
Air Force	100,000	70,000— 80,000	170,000—180,000
	<hr/> 422,000	<hr/> 173,000—193,000	<hr/> 595,000—615,000

NOTE:—These figures are for enlistments only and do not indicate the number of men actually on strength at a given date. There will be men discharged from the services for medical or other reasons and casualties, which will accordingly diminish these figures when the actual strength of the forces is being considered.

The Navy

THE ENSIGN of the Royal Canadian Navy is a familiar and welcome sight these days on the stormy, hazardous sea-routes of the North Atlantic, as an increasing number of grey-clad fighting vessels shepherd their cumbersome convoy charges to Britain.

In September, 1939, the Canadian Navy responded to the command of "Action Stations!" with 15 vessels, of which six were destroyers. Now it has about 400 ships of all kinds in operation.

Many of its personnel came from the Prairies or Central Provinces; had never seen the sea before. Landlubbers, in fact, comprise the bulk of Canada's Navy of 30,000, but they are fast becoming veterans of the grim battle at sea. The British Admiralty has lauded Canada's naval role.

Only occasionally do Canadians receive any intimation of the drama that is being enacted in the North Atlantic. Late last fall the Admiralty issued a terse, factual communique:

"H.M.C.S. Chambly with H.M.C.S. Moose Jaw in company recently sank a German U-boat in the North Atlantic. This successful action fought by two Canadian-built corvettes is a splendid demonstration of the protection given to convoys by ships of the Royal Canadian Navy. Chambly attacked with depth charges which forced the U-boat to the surface. Moose Jaw opened fire but after a single round had been fired the U-boat crew abandoned their ship which then sank. Chambly and Moose Jaw picked up 47 survivors who were made prisoners."

This is one of the few times that the "Silent Service" has broken its silence since war began to give the news of an action at sea.

R.C.N. personnel is the nucleus of Canada's Navy, but all recruits are now brought in through the Royal Canadian Volunteer Reserve. They comprise the bulk of Navy personnel. There has been no shortage of recruits for the Service, and at present there is a waiting list of about 4,000. The Navy however, is seeking men with special qualifications.

Experienced sailors from the R.C.N.V.R. have been enlisted for duty, while out on the Pacific Coast the Fishermen's

Reserve has done much to lighten the task of the Navy, particularly since war broke in the Pacific.

Canadians with scientific training are performing special tasks with the Royal Navy. In addition, over 500 young Canadian Naval officers are serving in many ships of that Service in all parts of the world.

Training Organization

Men for the Navy are trained in 18 R.C.N.V.R. Divisions across the Dominion. From these Divisions they are sent to coastal centres for more advanced training and special technical training is given at other centres.

The following establishments are maintained:

R.C.N.V.R. Divisions (recruiting and preliminary training of naval volunteers).....	18
Training establishments	2
Technical training centres	4

The ships of the Canadian Navy—chiefly of small tonnage—have seen action on many oceans. The long shorelines of Canada are being constantly guarded against growing threats to the North American continent.

One of the Navy's most important tasks is the convoying of Canadian and American supplies to Britain. More than 9,000 ships have sailed from Canadian shores for Great Britain since the outbreak of war, carrying more than 55 million tons of cargo. A substantial share of this vital convoy work has been borne by Canadian ships and men.

The Canadian Auxiliary Cruiser H.M.C.S. *Prince Henry* captured the German freighter *Weser* in the second year of the war. During patrol work in the South Atlantic, H.M.C.S. *Prince Robert* caused the crews of the *Muenchen* and *Hermonthis* to scuttle their ships off Peru. In all the Navy has captured five enemy vessels.

Early in the war the Canadian Navy helped convoy Australian troop ships. During Dunkirk Canadian men and ships performed many feats of endurance and heroism. Canadians also participated in the naval battles at Greece and Crete. Our troops to Hong Kong were escorted on the major part of the long trip by ships of their own Navy.

Convoy Operations

Corvettes of the Canadian Navy have saved the lives of many United Nations seamen. In March this year, the R.C.N. and the R.N. effected a spectacular rescue of 38 survivors from an allied freighter off Sable Island in the North Atlantic.

Early in 1941 a Canadian destroyer helped rescue 857 survivors of the *Arandora Star* after she had been torpedoed.

The only limit imposed upon the size of the Canadian Navy is that of ships available for duty. When navigation re-opens this year on Canadian inland waterways, numerous corvettes, mine-sweepers and smaller vessels will go down the slipways. In Great Britain two Tribal class destroyers for the Canadian Navy are nearing completion. Two more vessels of the same type are being built in Canada.

Back of the operations of the navy is a complex land organization, arranging in detail the movement of convoys, maintaining, servicing and provisioning ships. Before war broke out, the machinery for convoys has been placed in operation. Under the general head of Naval Control the movement of merchant ships was placed under supervision, with the result that six days after war started the first convoy steamed from an Eastern Canadian port.

The navy has incurred losses in men and ships in the performance of its duty. At the end of March this year it had lost 466 men. In addition, many Canadian seamen have lost their lives on allied merchant vessels. The loss of the Canadian corvette *Spikenard* brought the number of vessels lost by the Canadian Navy to seven. Canada has lost two other corvettes, the *Windflower* and the *Levis*. The destroyer *Fraser* was sunk off France in June, 1940. Another destroyer, the *Margaree*, was sunk while on convoy duty in the fall of 1940. The armed yacht H.M.C.S. *Otter* exploded while on patrol duty in March, 1941. The *Bras d'Or*, an auxiliary mine-sweeper, was also lost late in 1940. Scores of their sister vessels carry on the fight, with more to come as the shipyards make deliveries.

Citations and Decorations

The Canadian Navy has earned many symbols of meritorious service. The following awards have been made:

Order of the British Empire.....	1
Medal of the Order of the British Empire.....	1
Distinguished Service Cross.....	11
D.S.C. and Bar.....	1
Distinguished Service Medal.....	5
Distinguished Service Order.....	1
Cross of Valor (Polish).....	4
Mentioned in Despatches.....	29

The Army

AT HOME and abroad the Canadian Army is undergoing a program of expansion and re-organization to meet the requirements of total war in what is believed to be the most critical period of the war.

Canada is building an army overseas, which is described as "a well-balanced, highly effective fighting force, co-ordinated from the front line to the rear echelons—a weapon forged and sharpened to play a great part when the time comes to strike."

In 1942-43, \$1,000 millions will be spent to fulfil the army program. When it is complete there will be a Canadian active army overseas of two army corps. Necessary ancillary troops will be provided, and a division now in Canada, will be equipped as an armoured division, trained and sent overseas. Another army tank brigade will be created for use with the infantry divisions.

There are approximately 300,000 men now in the Active Army, approximately half of whom are outside the country. Besides the troops in the United Kingdom, there are others garrisoned in the West Indies, Newfoundland and Gibraltar.

Regarding the army program for the year, Defence Minister Ralston stated:

"The objective has been and is to raise and equip, to reinforce and to maintain, highly motorized and mechanized forces, hard-hitting and complete. In this

way we take advantage of our resources and materials, as well as of the qualities of initiative and fighting skill which Canadians in battle have always shown. We also have the obligations for defence in Canada, which are more prominently before us than ever before. Under the army program for 1942, the Canadian Army overseas will be, in proportion, probably the most highly mechanized and mobile army in the world. It is obvious, of course, that a country of 11.5 million people could not raise armies comparable to the forces of other nations, and particularly it could not attempt to do so when the army is just one part of the general pattern of food and weapons, air strength and navy."

Program for 1942

Enlistment program for 1942 is described by the Defence Minister:

"The 1942 program is to organize, equip and maintain an army of two corps overseas. That program requires the enlistment of a further 90,000 to 100,000 men during the present fiscal year. That figure is, in the opinion of general staff, the maximum number of new men who can be effectively trained during that period for service overseas. That will put an exceedingly heavy strain upon the instructional staffs and equipment, because, in addition to these new men for overseas, we must train the overseas units still in this country and also about 40,000 to 50,000 men for service in Canada; and already arrangements are being made to bring back a large number of instructors from the other side for that purpose."

Defence Preparations

Since the outbreak of war with Japan, Canada has accelerated the tempo of defence preparations. The defences of the East and West Coast have been placed under two commands. The air, sea and land services in these areas, as well as in Newfoundland, have been placed under the single command of the senior officer in the area.

Two new divisions — the 7th and 8th — are being mobilized to give depth to existing and projected defences. The two new divisions will be composed largely of men called up for compulsory military training under the National Resources Mobilization Act. The number of men

available for home defence has been substantially increased by extension of the age group liable to military service under national selective service. The age range for compulsory military training for men, unmarried or widowers without children at July 15, 1940, has been widened from 21-24 to 21-30. Men will be selected by drawing lots over the entire age field, and liability for military service is being extended to all residents in Canada, whether citizens or not.

Revise Recruiting System

The voluntary system of recruiting is being overhauled to place recruits in the branch of the army for which they are best fitted.

Previously a recruit was sent to the branch of the service in which he professed an interest. Otherwise he was assigned to a unit whose recruiting quota had not been filled. The result was often "a square peg in a round hole." Men who would have been excellent artillerymen might have been sent to the dental corps or infantry.

With personnel selection officers now being used by the army, the aptitudes and potentialities of each recruit will be scientifically determined. If he has special mental or physical qualifications he will be placed in a branch to give them the utmost scope.

Army Cadet training has been given encouragement and enlistments in cadet corps is at record high levels. Opportunity will be given to about 50,000 Canadian boys between the ages of 15 and 18 to attend camp this summer as part of the Cadet Corps training. The course requires two hours study per school week on such subjects as parade ground training, instruction in small arms, map reading, internal combustion engines, first aid and other subjects.

The two-year course to be given to the cadets is equivalent to the basic training given soldiers in the Active Army. This Corps will create a reserve of partially trained men for the army and will provide potential officer material.

Reorganization of Reserve Army

Reserve units are now only allowed to enlist fit men under 19 and over 35 years of age. They may, however, enlist men of any age up to 50 who have been rejected for overseas service because of low medical category or who are key men in industry and have been granted postponement.

Membership in reserve units will no longer exempt from compulsory military service men who are liable to call under the N.R.M.A. The reserve units of the army have been formed into 11 brigade groups across the Dominion, equivalent to 4 divisions.

This organization provides that a brigade group in each of the 11 military districts will be placed under full time commanders of the active army. Modern weapons will be provided, and annual training periods will be extended.

Hong Kong

In the siege of Hong Kong the Canadian Army received its baptism of fire in the present war. In the defence of this Far East outpost a battalion of the Royal Rifles of Canada and a battalion of the Winnipeg Grenadiers fought side by side with other troops from the British Isles and India.

Canadian troops had been in Hong Kong only a few weeks when the Japanese, in overwhelming numerical superiority, attacked on December 7. Without air support and with British sea power seriously impaired by the loss of two capital ships, the "Repulse" and "Prince of Wales," the garrison defended the island foot by foot, until on Christmas day the official communique stated: "The military and naval commanders informed the Governor no further resistance could be made."

Defence Minister Ralston stated in part of the heroic action: "The news that fighting has ceased in Hong Kong marks the end of one of the most gallant episodes in the history of Canadian arms. . . . Hong Kong will be a sombre but glorious page in the record of the Canadian army."

The Canadian Government has since received a message stating that there were 1,689 Canadian prisoners of

war taken at Hong Kong. The number which embarked was 1,985, and therefore it is believed that 296 Canadians are either dead or missing.

War Service Badge

Henceforth, members of any one of the armed services who have been honourably discharged will be entitled to wear the war service badge "General Service Class" to signify that fact.

Training and Reinforcement

Canadian reinforcement training is based on a great chain of training centres across Canada. These are of two types—basic and advanced. At the Basic Training Centre the recruit is taught the fundamentals of the military art. He learns to be a soldier. From the Basic Centre he goes to an Advanced Training Centre and there he learns the work of his own arm—Artillery, Engineers, Signals, or whatever it may be. And when this training is complete he graduates to a holding company and in due course he goes overseas to a Holding Unit, where he stays continuing to train, until his arm or unit needs him.

Capacity for training army tradesmen in Canada has been almost trebled. One army trade training centre—the (Advanced) Army trade school at Hamilton, to which specially picked maintenance men are sent on completing their vocational or industrial courses—has an annual output of about 6,000. The (Advanced) Mechanics' Training Centre at London turns out about 2,400 a year. These capacities are in addition to the output of the vocational and industrial centres.

From the advanced centres men go to the advanced training centres of their different arms and learn to apply their trade in practice.

This complex organization spreading net-like from coast to coast has been developed in the past two years from what in the beginning were almost negligible military resources. Some idea of the nature and extent of the training

now being given Canadian soldiers in the Dominion may be gained from the following table:

Officers' Training Centres.....	2
Basic Training Centres.....	29
Advanced Training Centres (infantry, machine gun, small arms, artillery, engineers, signals, armoured car and tank, army service corps, medical, etc.)	28
Technical Training Centres, (including techni- cal schools, etc., co-operating)	125

The Air Force

CANADIAN youth is writing a story of heroism and daring in the war-torn skies of the world in 1942 as their fathers did a generation ago. The Royal Canadian Air Force's part in the aerial battles of the Empire has become a daily recital of remarkable exploits: of fighter sweeps, of stubborn perseverance in the face of intense opposition; of cool reconnaissance and perilous missions. The commandos who raided the German radiolocator station at Bruneval, France and the submarine nest at St. Nazaire, were covered by a protective umbrella of Canadian-manned planes. Canadian airmen nightly rain tons of bombs on industrial Germany. They have hit at Italy. They fought in the tremendous channel battle above escaping German naval units.

By present-day standards the Air Force with which Canada entered the war was hopelessly inadequate. Now it is one of the world's prime fighting machines and is sending men to every theatre of war in "staggering numbers." It is building up a broad defensive system at home.

Canada's air program, in fact, has passed from the planning stage to fruition in two years.

The R.C.A.F. has a triple task. Its most important responsibility is the training of Empire airmen in the British Commonwealth Air Training Plan. It is fighting a war, or a number of wars in many parts of the world. It is providing air defences on Canada's lengthly coastlines.

Home Defence

On the west coast the problem of defence has become more urgent since war begun with Japan. On the east coast the R.C.A.F. has a task which daily becomes heavier. With enemy submarines ranging right up to the shores of the continent and exacting a steadily growing toll of shipping, air patrols must be maintained ceaselessly.

To meet these expanding requirements of home defence the "home war establishment" of the R.C.A.F. is being greatly strengthened. The extent of the expansion is revealed by expenditures for "home establishment", exclusive of the cost of the Air Training Plan:

1942-43 (estimate)	-----	\$315,000,000
1941-42	-----	about 115,000,000
1940-41	-----	over 50,000,000
1939-40	-----	over 28,000,000

In addition to the estimate for the present fiscal year, long range commitments have been made of \$120 millions for home air defence. The expansion calls for large increases in the number of combat squadrons, for reconnaissance, anti-submarine, striking and fighter operations.

In announcing the new program, Prime Minister Mackenzie King stated:

"I might indicate some of the factors which have made this substantial increase possible. More aircraft are becoming available. Canadian production of combat aircraft is reaching its zenith. Orders placed some time ago in the United States are now being filled. It might be of interest for me to point out that by far the largest proportion of the aircraft will be provided by Canadian plants. The air crew and ground crew required for the expanded program will be readily available. The British Commonwealth Air Training Plan is training pilots, observers and gunners in numbers sufficient to meet all our commitments to our partners in the plan, and, in addition, provide fully for our home war establishment. Our requirements of ground crew are readily filled by voluntary recruitment. The technical ground crew training facilities are easily able to meet the additional demands placed upon them."

The Prime Minister stated further that the construction of air fields and other defences presents no difficulties. The whole strategic plan in the air provides for a defence in considerable depth, and for the development of satellite and auxiliary air fields.

In addition to numerous air crew members freshly trained in the flying schools of the Dominion there will be available for home defence, a sprinkling of veterans who have seen combat flying in the many theatres of war.

Symbol of Valour

While Canada is looking to her air defences at home the overseas operations are going forward without interruption or let-up. There are at present 21 R.C.A.F. squadrons overseas, 16 of which are fully operational, including fighters, bombers, night-fighters, coastal command reconnaissance, torpedo bombers and army co-operation.

Air Minister Power has said of these Canadian airmen in Britain:

"Let me say without false pride or modesty that the word 'Canada' on the shoulders of a boy in Air Force blue has become a symbol throughout embattled Britain. It is a badge of courage and sacrifice which has won universal respect. Thousands of young Canadians serving over there with the Royal Canadian Air Force form a legion of valour of which this Dominion can be justly proud.

"I watched these boys at work and at play on the great R.A.F. stations in the battle line. I sat down and talked with them in the service clubs of the rest areas. I saw them climb into their aircraft and fly off to battle. I saw them return from these operational flights, cold and weary. But they held their heads high with the pride of a duty well done. Their work has been magnificent, both in the defence of Britain and in the daily sweeps against the foe across the channel and in his own backyard."

The predecessors of these thousands of young Canadians were three squadrons—one fighter and two army co-operation—which went overseas early in 1940. Recently the first R.C.A.F. squadron to go overseas celebrated the second anniversary of its arrival in Britain.

In World War Theatres

Most of the young Canadians who go to Britain are not attached to R.C.A.F. Squadrons, but are sent to Royal Air Force units. The Air Force is the only Canadian service which has its members absorbed into the Imperial services. Canadians thus go where R.A.F. planes are fighting or have fought; in the Middle East and Mediterranean area, Russia, the Far East and Britain itself. There is, in fact, scarcely an R.A.F. squadron which does not have a Canadian in its ranks. Many of the men enlisted direct in the R.A.F. themselves before Canada began building up the R.C.A.F. Many are R.A.F. veterans and hold high ranks in that service. An "All-Canadian" fighter squadron in the R.A.F. gained a considerable reputation for its daring exploits.

The growing list of awards for valor and meritorious service given Canadian airmen in either the R.A.F. or the R.C.A.F. is evidence that Canadians are maintaining the tradition for daring and resourcefulness which they achieved in the first great war. A list of citations and decorations granted Canadian airmen follows:

Citations and Decorations

Awarded to Canadians in the R.A.F.

Distinguished Service Order.....	1
Distinguished Flying Cross.....	104
Bar to Distinguished Flying Cross.....	12
Distinguished Flying Medal.....	20
George Medal	2
Air Force Cross.....	4

Awarded to Canadians in the R.C.A.F.

Order of the British Empire.....	2
Distinguished Flying Cross.....	17
Distinguished Flying Medal.....	13
George Medal	1

The British Commonwealth Air Training Plan

ON DECEMBER 15 last the final school of the British Commonwealth Air Training Plan was opened. Two days later—on December 17—the B.C.A.T.P. marked its second birthday.

In those two years a virtual miracle of enterprise and resourcefulness has been brought about.

Late this Spring the Plan will be in full operation and trained air crews will flow from the training schools to every theatre of war and home defence establishments. How many graduates will come from the schools is a closely guarded secret. There are 93 schools training all categories for the Air Force; 140 establishments of all kinds and more than 2,000 buildings. If all the runways at the school air fields were pieced together they would make a highway of standard 21 ft. width more than 1,000 miles long.

The idea for the Plan was advanced before the war. Late in 1939 representatives of the United Kingdom, Australia, New Zealand and Canada met in Ottawa to bring it into being. On December 16, 1939, the representatives reached an agreement. The next day the B.C.A.T.P. officially was born. In April, 1940, the first class began training at the Initial Training School in Toronto. The R.C.A.F. had many difficulties to overcome, but by late summer of 1940 the Plan was taking definite shape. By the end of the year twice as many aircrews were sent overseas as originally scheduled. Progress was accelerated still further in 1941. For example, one of the Service Flying Training Schools—the advanced schools—was scheduled under the original plan to open April 13, 1942. That school opened at Hagersville, Ont., on August 8, 1941.

This billion dollar “university of the air” trains Canadian, Australian and New Zealand airmen, as well as a few men from other parts of the Empire. Majority of B.C.A.T.P. establishments are training schools: Initial Training, Elementary Flying Training, Service Flying Training,

Bombing and Gunnery, Air Observer Schools, Air Navigation Schools, Wireless Schools, Technical Training, Air Armament Schools, and a score of others, including a Cooking School. They are located in every province from ocean to ocean.

Although the enterprise is a joint one, in which the United Kingdom, Australia, New Zealand and Canada co-operate, and the Supervisory Board includes representatives of each, the Plan is essentially Canadian. Not only is it administered by the R.C.A.F., but Canada has supplied more than 80% of the manpower and is paying nearly \$600 millions of the \$900 millions which it is costing.

Don't Throw it Away—— Throw it at Hitler!

— — — — —

SCRAP METAL makes TANKS
RUBBER makes ARMY TIRES
PAPER makes SHELL CASES
FATS make EXPLOSIVES
BONES make AIRPLANE GLUE
RAGS make SOLDIERS' BLANKETS

Get in touch with the Salvage Committee in your area. If there is none, start one. Feed the factories with salvage—they will make the tools to finish the job!

MUNITIONS

THE creation of war industries in Canada since the outbreak of war has been little short of an industrial revolution. From a normal peacetime organization, Canadian industry, under the supervision of the Department of Munitions and Supply, has built war industries in every part of the country employing directly and indirectly more than 600,000 workers. By the end of the year another 100,000 workers will have been employed. About 700,000 Canadians out of a population of 11.5 millions will be employed in producing munitions of war. It is expected at this point Canada will be approaching its visible limit of material and management.

The aircraft industry has grown greatly in the war period. Employing more than 40,000 workers it is turning out well over 300 planes monthly. In comparison, about 3,000 planes altogether were turned out in the last war in Canada. Total purchases on Canadian account of aircraft, not including capital assistance, from July 14, 1931, to March 31, 1942, totalled more than \$391 millions. The entire aircraft program is comprised of seven types: an elementary trainer; a single engined advanced trainer; a twin-engined advanced trainer; a twin-engined reconnaissance bomber and bombing and gunnery trainer; a coastal reconnaissance amphibian; a twin-engined fighter, and a four-engined long range bomber.

The aircraft overhaul and repair program is expanding to care for the large number of planes used in the flying schools. At the peak it is planned to overhaul about 10,000 planes annually. There are about 30 plants of this type.

One of Canada's outstanding productive achievements has been in the field of army vehicles. More than 200,000 of these have been delivered to date. They have seen service in several theatres of war.

Hundreds of Canadian-made tanks have been shipped to Russia. The monthly production of these highly specialized war weapons is in three figures.

The Dominion's shipbuilding program calls for an outlay of more than \$550 millions. Merchant ships completed this year will equal the total for British yards. The industry, composed of 17 major shipyards and 58 smaller boat yards employs more than 40,000 men.

Since war began several hundred naval vessels including corvettes, minesweepers, patrol boats and base ships have been ordered. In addition, 30 vessels have been equipped to defend themselves at sea, including three passenger ships which are now serving as auxiliary cruisers.

More than 150 of 10,000-ton freighters are on order. Smaller 5,000-ton vessels on order total 18. Keels for more than 50 merchant ships have been laid. The cargo vessel construction program is administered by Wartime Merchant Shipping Limited, a Crown Company, operating under the Department of Munitions and Supply.

The keels for two large type Tribal destroyers have been laid in Canadian yards. Larger and faster corvettes are being constructed.

An extensive small boat program includes the building of such craft as crash boats, aircraft tenders, bomb-loading dinghies, salvage and supply boats, etc.

Ammunition, small arms munitions, chemicals and explosive comprise a substantial part of the Canadian war industry program. Production ranges from high explosives, rifles and cannon propellants and TNT to intermediary chemicals and raw materials.

A wide range of pyrotechnics includes signal cartridges, flare floats, smoke generators, sea markers, signal rockets, lights and igniters.

Canadian production of guns is reaching impressive totals. 25-pounder guns are being turned out in large quantities by one factory. Output of Bren guns is nearing 4,500 monthly. They are finding their way to as far

off theatres of war as China. Anti-tank and anti-aircraft weapons are coming off production lines in increasing volume, as well as Browning, Vickers and Sten machine guns.

Production Highlights

THE VAST quantity of war supplies and equipment being manufactured in Canada is indicated by the total value of contracts awarded and commitments made by the Department of Munitions and Supply on Canadian, United Kingdom, and other account to the end of 1941. From July 14, 1939, to Dec. 31, 1941, the aggregate was \$3,201 millions. Contracts placed on Canadian account, including plant extensions, totalled \$1,721 millions; United Kingdom, \$1,315 millions; airport construction under the Empire Air Training Plan, \$33 millions, and other account, \$132 millions. In 1941 the value of all contracts by the Department was \$1,642 millions. About \$660 millions has been provided in the form of capital assistance for the construction of new plants, extension of old and installation of machinery and equipment.

The variety and magnitude of Canada's industrial war effort is shown, in a list of the major items coming off production lines of the nation. Ranging from the smallest bullet to the largest bomb, from fuses to tanks, the list reveals the diversity of the industrial effort:

Ships

Cargo boats, 2 types
Minesweepers, 5 types
Corvettes
Motor torpedo boats
Patrol boats

Special service ships
Small boats, 30 types
Conversion of vessels to war needs
Boilers, generators, binnacles, and
general marine equipment

Guns

25-pounder field guns, with equipment, trailers and tractors
Bofors anti-aircraft gun barrels
Bofors anti-aircraft guns, carriages and equipment
3.7-inch anti-aircraft gun barrels
Tank guns and mountings, 2 types
Anti-tank guns and carriages, 2 types

2-inch trench mortars
3-inch trench mortars
Bren guns
Browning aircraft machine guns
Naval gun mountings, 5 types
Lee-Enfield rifles
Safety fuse pistols
Naval guns, one type
Depth charge throwers

Ammunitions

Small arms ammunition, 9 types of 4 calibres	Depth charges, 2 types
Shells, 30 types	Anti-tank mines
Cartridge cases, 16 types	Rifle grenades
Fuses, 8 types	Pyrotechnics of 50 basic kinds for aerial, field, naval, and practice uses
Gaines, 2 types	Trench mortar bombs, 7 types
Primers, 5 types	Filled rounds of ammunition, bombs, and depth charges
500-lb. aerial bombs	
Practice bombs	

Chemicals and Explosives

Chemicals, 12 types	Explosives, 8 types
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Airplanes

Training planes, 5 types
Service planes, 2 types
Link trainers

Tanks

Cruiser tanks
Infantry tanks

Vehicles

Universal carriers	Fire trucks, 3 types
Wireless trucks, 3 types	Military tires, 12 types
Ambulances, 4 types	Army mechanized transport, 90 types on 12 different chassis
Field workshops, 12 types	

Miscellaneous

Armour plate	Minesweeping gear, 3 types
Clothing and boots for Navy, Army, Air Force, Women's Militia, and Air Force Auxiliary Corps	Technical naval equipment
Personal equipment	Searchlights, 9 types
Sighting and optical instruments, 37 types	Smoke projectors, 6 types
Special military and naval instru- ments, 10 types	Marine smoke floats, 3 types
Radiolocators	Hospital equipment and supplies
Wireless transmission and receiv- ing equipment for the three services	Gas decontamination suits and equipment
Gas masks, 2 types	Military furniture and forms
Steel helmets	Fire hose
Parachutes, 3 types	Asbestos and fibre glass rescue suits
Flare parachutes, 4 types	Ammunition boxes, 4 types
	Machine tools, 4 general types in hundreds of sizes
	Gauges, 15,000 basic items
	Bren gun tripods
	Anti-submarine equipment

The value of construction contracts awarded by the Department for the armed services exceeds \$200 millions. This work includes the building of training and instructional schools for the R.C.A.F.; new plants and extension to plants manufacturing and overhauling aircraft; extensions and new buildings for the Army; dry docks, wharves, and barrack blocks for the Naval Services.

Air Training Plan construction work has accounted for more than 75% of the dollar value of the contracts awarded. Since July, 1939, the following contracts have been awarded: Air Force, 1,733 at a cost of \$153 millions; Army, 358 at a cost of \$32 millions, and Navy, 150 at a cost of over \$17 millions.

Production of facilities to provide many of the materials which enter into the manufacture of these items has been sharply increased. Included among these materials are brass, armour plate, special alloy steel for gun barrels, optical glass and aluminum.

In addition to materials already being produced, work is in progress and in most cases well advanced for the following equipment:

3.7-inch AA guns and carriages complete	Reconnaissance cars
Naval guns, 3 types	Tank bomb throwers
Boys' anti-tank rifles	Predictors for anti-aircraft guns
Naval mountings, 2 types	Vickers machine guns
A third type of AA barrels	Sten machine carbines
Another type of artillery carriage	Browning tank type machine guns
Scout armoured cars	Secret equipment and weapons of various types
Scout cars	Service planes, 3 types
Armoured cars	Training planes, 1 type

FOOD

ONE OF the vital divisions of Canada's war effort is the production and shipment of agricultural products. When Britain lost continental food sources by German occupation, Canada became its nearest source of food supplies. To meet the vastly expanded demand, the Dominion has achieved an increase in agricultural output which Prime Minister Mackenzie King has described as "little short of miraculous."

The increase has been effected in the face of formidable difficulties, such as a shortage of farm labour and serious drought conditions in Ontario and Quebec in 1941. Despite these handicaps, commitments in the field of agriculture have been met and exceeded. The program for the future calls for further increases, and in Government's far-reaching mobilization of manpower measures have been taken to stabilize farm labour. Broadly, under this program, agricultural employees cannot leave the farm without special permission, and they are exempt from compulsory military training or service.

One of the most important aspects of Canadian farm production is the vast quantities of wheat which the country grows. There are available at present in the country more than 467 million bus. of wheat. It is more than sufficient to meet all the present demands for human consumption, as well as provide an important source of stock feeds. Canadian millers also supply the United Kingdom with wheat flour.

Perhaps the most spectacular phase of the agricultural war effort has been in the production of bacon and pork products. The current agreement with Great Britain for bacon and pork products calls for the delivery of not less than 600 million pounds in the year ending October 31,

1942. The remarkable increase in exports of bacon and pork products is indicated by the following figures:

Years ended Oct. 31

1942 (estimated)	600,000,000 pounds
1941	464,614,000 "
1940	345,604,000 "
1939	187,824,000 "
1938	170,837,000 "

In addition to commitments to the United Kingdom, about 300 million pounds of bacon and pork products must be produced to meet domestic requirements in the year ending October 31. This means an average of 150,000 hogs weekly, of which only 20,000 will be allowed for Canadian consumption.

Dairy Production

Currently, the Dominion is shipping more bacon and pork in a single week than in the whole of 1931. It is shipping more this year than in the 10 years 1927-1936, or in the whole of the First Great War. Only prime products are being shipped to the United Kingdom with a view to maintaining these markets after the war.

Before the occupation of Denmark and Holland, Britain obtained much of its dairy supplies from these countries. Subsequently, Canada has been boosting the production of dairy products to fill the gap created by the loss of these two sources of supply. For example, Canada shipped about 115 million pounds of cheese in the 12 months ended March 31, 1942. In the year ended March 31, 1941, total shipments of cheese amounted to 92 million pounds—13.6 million pounds more than asked for in the agreement with the United Kingdom. In 1942-43 it is hoped to export 125 million pounds. Cheese is regarded as one of the first essential war commodities, and Britain will accept all Canada can produce. In 1938 Britain imported 325 million pounds of cheese, 23% of which came from Canada, 56% from New Zealand, 3% from Australia, and 14% from other countries. The Australasian supply line has now been made so uncertain that the demand upon Canada for cheese will be more urgent.

In the 12 months ended March 31, 1942, Canada shipped about 660,000 cases, or nearly 32 million one-pound cans of evaporated milk to Britain. In 1940-41 about 450,000 cases were shipped.

Butter is not being shipped, and the domestic supply is in a good position. Unprecedented demands on the domestic market for fluid milk, butter, ice-cream and other dairy products, is being met. In 1941 production of milk reached the highest point in history, amounting to 17,294 million pounds, which was 1,000 million pounds greater than the previous year. If the dairy program for the present year is to be fulfilled, it will be necessary to bring about a further increase in the output of fluid milk.

Fisheries Contribution

The poultry industry has undergone a considerable expansion. Canada has an agreement to supply Britain with 23 million dozen eggs this Spring, with an open order to ship as many more as possible. A further contract for 15 million dozen next Fall has been completed. Including dried eggs, exports of eggs to Britain this year are expected to be 50 times the volume in 1939. Exports in the past four years compare as follows:

1942 (estimated)	50 million dozen
1941	15 " "
1940	10 " "
1939	1 " "

The effort to stimulate production of farm products has provided a number of aids to the farmer. Freight charges are being paid on feed grains moving from Western to Eastern Canada up to July 1 this year. This has proved of great help to farmers in meeting requirements for animal products. Subsidies are granted to farmers in Eastern Canada on chemical fertilizers for increasing the production of essential field crops.

Canadian fisheries are also playing their part in maintaining the United Kingdom in foodstuffs. This year the entire salmon and herring catch will go to Great Britain, and when present inventories are exhausted, Canadians will have to use other varieties of fish.

Other foodstuffs being shipped include apples (fresh, dried and canned), honey, canned tomatoes, dried beans, fruits for jam, onions, dried vegetables, cereal breakfast foods, wheat and flour.

The Dominion Government is experimenting with the dehydration of foods. Large sums have been allocated for this purpose. These dried foods have particular value, as they occupy less vital Atlantic shipping space.

These agricultural achievements represent a few highlights of the vast increase in the tempo of production of essential food commodities in Canada. There have been substantial advances in the output of many other commodities such as fibre flax, flax seed, coarse grains and other field crops.

All these things have been attained because of the earnest effort of the farmer and the sound peacetime agricultural policies and programs of the Dominion and provincial governments, the co-operation and assistance of agricultural institutions.

Canada Needs Fighting Dollars

*Buy More and More
War Savings Certificates*

Freedom's Front

Canada's Commitments

CANADA'S commitments for the survival of freedom in the world embrace the help being extended to the other 25 United Nations fighting the totalitarian aggressors. As a member of this global team, the nation is shaping its pattern for total war according to the needs of the team as a whole. The Dominion's contribution to the United Nations' war cause is in three main categories:

- (1) The production of food.
- (2) The production of material and weapons of war, and;
- (3) The production of men for the armed forces to crush the Axis on sea, on land, and in the air.

It is Canada's commitment to supply foodstuffs to the limit of her resources.

By the end of 1942 the Dominion will be approaching the visible limit of material and management in making materials and weapons of war, with approximately 700,000 workers engaged directly and indirectly in this part of the war program.

Canada has in war theatres three fighting forces; the Navy, Army and Air Force.

It is the Dominion's purpose to raise a navy limited only by the number of ships which can be secured.

The Air Force, considered probably the greatest military contribution of the nation, is beginning to make itself felt in the air battles of the world.

The nation's objective in land forces is to raise and equip, to reinforce and maintain a highly motorized and mechanized force, hard-hitting, complete and second to none.

To World Battlefronts

THE MAJORITY of the aid in materials which Canada is extending to the United Nations comes directly or indirectly from Great Britain. Tanks which are shipped to Britain, for example, are trans-shipped to Russia. Canadian-made Bren Guns are shipped to China. Canadian munitions, in fact, are being used in every theatre of war and the Dominion is helping to equip the fighting men of Britain, Australia, New Zealand, in addition to meeting her own needs.

Canadian equipment and war materials are being used in the Libyan desert by the Imperial forces. Because of this aid, Egypt, through which country the supplies reach the armies of the Nile, became Canada's third best customer during 1941. Total Canadian exports to Egypt amounted to \$79 millions, compared with \$8 millions in the previous year. The vast increase was due wholly to supplies of a military character.

As a result of the stepped-up output of Canadian factory and field during 1941, all exports (excluding gold) totalled \$1,621 millions, the highest total in history, although substantial export markets were shut off by enemy occupation. This compares with \$1,179 millions in 1940, and is an increase of \$442 millions. Shipments to the United Kingdom amounted to \$658 millions, compared with \$508 millions. Exports to the United States totalled \$600 millions, against \$443 millions in the preceding year. In 1918 Canadian exports were valued at \$1,540 millions, which included gold. Prices of commodities at that time were generally much higher than the current level.

Canada's aid to Britain in foodstuffs has grown steadily in importance. With her peacetime supply sources on the European market shut off, Canada is the nearest remaining source of supply.

In machines of war, with the exception of planes, Canada has been the main source of British supplies, outside the United Kingdom itself. Only recently has the United States begun to overtake Canada in this respect.

The value of supplies shipped from Canada to Great Britain since war began has been at least as great as the cost of raising, equipping and maintaining Canada's armed forces.

Gift to Britain

CANADIAN exports to Britain since the outbreak of war have resulted in the United Kingdom building up a large debt, which under existing circumstances it is impossible to discharge. Canada is extending the following program of financial aid in the current year:

(1) A direct gift of \$1,000 millions in munitions, raw materials and foodstuffs.

(2) An interest-free loan for the duration of war of \$700 millions;

(3) The repatriation of \$295 millions of Dominion and C.N.R. securities.

In the early months of the war the British Government paid for its purchases in Canada by shipments of gold, by Canada buying back Canadian government direct and guaranteed securities held in Britain, and by what goods Britain could ship to the Dominion. In a large part, however, payment for Canadian supplies has been made in pounds sterling, which cannot be spent in England, and debt to the Dominion has been building up steadily.

This British deficit on balance of current payments stands approximately as follows:

British balance of payments since start of the war.....	\$1,582 millions
Less: Gold shipments*	250 "
Canadian Government and C.N.R. securities repatriated	400 "
Other redemptions, capital repayments, etc.	113 "

Sterling accumulated to December 31, 1941	819 "

**This gold, in turn, was used by Canada to meet a deficiency of United States dollars.*

For Post-War Amity

The Dominion Government will convert the major portion of accumulated sterling balances into a loan of \$700 millions to the United Kingdom. The loan will bear no interest during the war period and terms will be settled after. It will be reduced during war by the proceeds of any sales to persons outside the United Kingdom of Canadian dollar securities now owned by United Kingdom residents and also by repayment or redemption of any Canadian securities owned in the United Kingdom.

Independent of the interest-free loan, all remaining Dominion and C.N.R. securities held in Britain, totalling about \$295 millions, will be repatriated by the Dominion to provide Britain with Canadian dollars. These securities have already been obtained by the British Government from holders in the United Kingdom.

The \$1,000 millions gift would meet the requirements of Britain for war until early in 1943. Along with the other financial measures, it would remove any difficulty which might arise in financing British purchases in Canada.

In addition to extending immediate and substantial aid to Britain the proposed financial program would be taken now to avoid the bitterness and suspicion which characterized negotiations on debt after the First Great War.

Finance Minister Ilsley, describing the proposed measures, stated:

"They will put our financial arrangements on a clear and sensible basis, fully in accord with the realities of the war situation. They will prevent the accumulation of a huge, unmanageable war debt with all the dangers that would involve of post-war misunderstanding and difficulties. And they will reflect the determination of this nation to contribute everything possible to the general cause."

Co-operation With the United States

WITHOUT the resources of the United States, Canada would not have been able to build the large and efficient war machine now in operation. Without the material resources of the Dominion, the United States would

have been seriously impaired in its tremendous war production program.

With common interests and aims, Canada and the United States are merging economic and military aspects of their war effort.

Four committees have been formed to further collaboration. They are:

- (1) Canada-United States Permanent Joint Board on Defence.
- (2) Joint Economic Committees.
- (3) Joint War Production Committee.
- (4) Joint Material Co-ordinating Committee.

In getting its war production into operation Canada has received essential war materials and machine tools from the United States. The steadily increasing adverse balance of trade has created a serious deficiency of United States dollars.

This deficiency has been met in part by: 1) restricting "non essential" uses of United States exchange, 2) using reserves of gold and U.S. dollars, 3) arrangements under the Hyde Park agreement to meet Canada's adverse balance of trade with the United States.

(For a discussion of the Hyde Park Declaration and economic relations between the two countries see Booklet No. 9 of "Canada at War," pages 49-52.)

The problem still remains a pressing one for Canada. Finance Minister Ilsley stated on March 18 regarding the foreign exchange position:

"Our war production has in fact, involved us in very heavy expenditures of American dollars in the United States. Until December, 1940, the United Kingdom shared with us the burden of providing the necessary hard currency. Since then we have taken the whole burden on our own shoulders. The burden has not been a light one, in spite of the measures agreed upon at Hyde Park last April between the Prime Minister and President Roosevelt, which were calculated in part to alleviate our United States exchange difficulties.

"I warned the house in introducing the budget last April that the need for United States exchange conservation had not passed; and lest anyone should think that

the Hyde Park Agreement has solved our United States dollar exchange problem, I should like to say that our official reserves of gold and United States dollars fell by \$142 millions, United States dollars, in 1941. Moreover, although the outlook is far from clear, it must be recognized that, failing remedial action, we appear to be faced with another sizeable loss of reserves this year. Our United States dollar position, is therefore, still a major cause of concern. I stress this point because our United States dollar problem and our need of foreign exchange control are in part a direct consequence of our assistance to Great Britain. . . ."

Joint Defence

WHILE THE work of the Canada-U.S. Defence Board is secret, it was announced last December 21, shortly following the outbreak of war in the Pacific, that "military, air and naval plans heretofore made are in satisfactory operation."

On March 25 Prime Minister King stated:

"It goes without saying that in any attempted attack on the North American continent, the joint United States-Canadian plans for defence would come into immediate operation. What I have said is, I trust, a sufficient indication that the security of our Canadian coasts is not only not being neglected but is being constantly increased and strengthened."

In the defence of the continent no boundary exists. United States troops, in effect, may be used as required and arranged in any part of Canada, or Canadian troops may similarly be employed in Alaska or the United States.

The Defence Board was established by the Ogdensburg Agreement entered into between the Prime Minister and the President on August 17, 1940. Formation of the body had been expected some time prior to the announcement. At Kingston, Ontario, on August 10, 1938, President Roosevelt made the historic statement:

"The people of the United States will not stand idly by if domination of Canadian soil is threatened by any other Empire."

Prime Minister King two days later acknowledged the President's declaration, stating that Canada would reciprocate.

The Board held its first meeting in Ottawa on August 26, 1940. Its function was defined as to "consider in the broad sense the defence of the north half of the Western Hemisphere." Defence plans provide for defence of both the sea and air approaches to the continent as well as the land mass itself.

On April 17, 1941, the co-chairmen of the Board, Mayor La Guardia, of New York, and Col. O. M. Biggar announced:

"We are happy to announce that strategic plans for the military and naval defence of Canada and the United States have been completed and the board from now on will devote itself to keeping these plans up-to-date to meet changing conditions."

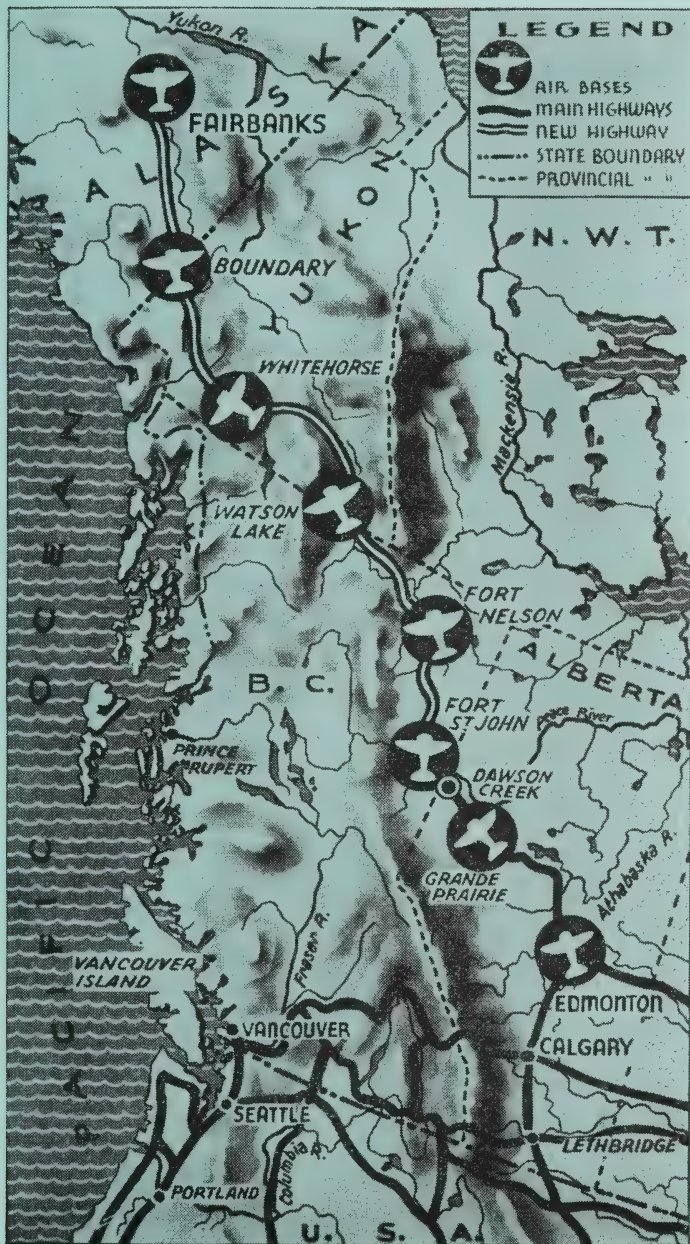
"The board must naturally take a realistic view of conditions, and therefore the plans have been prepared with the minutest detail, in the event that it becomes necessary to defend either the eastern or western coasts of our countries. Nothing is left to be done but to put the plans into operation."

Two tangible evidences of the Board's work are the air route to Alaska and the military road, now being erected.

The chain of air fields from Edmonton to Alaska was built on the recommendation of the Board. The new fields permit the transfer of a powerful air force from United States bases to Alaska within 24 hours. With Alaska becoming the potential springboard for a United Nations attack on Japan, this new air route has a far-reaching significance.

No less important is the new military highway, which closely parallels the air route. It, also, may be a vital part of the long-range strategy against Japan. The new highway is being built as quickly as possible from Edmonton to Grand Prairie to Fort St. John to Watson Lake to Whitehorse to boundary, and thence to Fairbanks, Alaska. The road will be 1,200 miles long. The new military highway is illustrated on the opposite page.

For many months prior to United States involvement in war, Canadian and U.S. troops had been manning co-ordinated defence posts. In Newfoundland and Iceland the armed forces of both nations were stationed.



Economic Co-operation

THE framework for economic co-operation was erected by the Hyde Park Declaration of April 20, 1941. The agreement provided a basis for the solution of Canada's pressing foreign exchange problem and paved the way for co-ordination of the production of war materials by both countries. Prime Minister King termed the agreement "a simple and logical extension, to the economic sphere, of the Ogdensburg Agreement". The Joint Economic Committees, formed in June, 1941, act in an advisory capacity to the governments at Ottawa and Washington to study and report the possibilities to:

(1) Effect a more economic, efficient and co-ordinated utilization of the combined resources of the two countries in the production of defence requirements, and

(2) Reduce the probable post-war economic dislocation consequent upon the changes which the economy of each country is undergoing.

Included in the many economic questions discussed by the Committees are: implementation of the Hyde Park agreement; foreign exchange control; synchronization of economic controls in the two countries; co-ordination of price policies and reduction of obstacles, such as tariffs and import duties, restricting the free flow of supplies for war purposes. Special assistance has been given to co-ordination of policies in regard to shipping and export controls, and to collaboration in the production of certain agricultural commodities of which there is a shortage.

Post-war planning is also being advanced by the Committees. This phase of the committees' work becomes increasingly important as war ravages many areas of the world and the economies of the United States and Canada are more and more devoted to war. The committees are now making plans for the time the war economies will have to be geared down to peacetime conditions. All possible contingencies are being studied: unemployment; post-war inflation following the release of stored-up purchasing

power; tariff barriers; surplus of manufacturing facilities and agricultural resources; rehabilitation of the war-torn countries of the world, and other numerous problems expected for the post-war period.

War Production

FORMATION of the Joint War Production Committee was announced on November 5, 1941. Establishment of the Production Committee was recommended by the Economic Committees and its purpose was stated: "To survey the capacity and potential capacity for the production of defence material in each country, to the end that in mobilizing the resources of the two countries each country should provide for the common defence effort, articles which it is best able to produce" and that this industrial integration would be worked out so as to minimize "maladjustments in the post-defence period."

The Joint War Production Committee announced at the outbreak of the Japanese war that war production of both countries would be completely co-ordinated for the most efficient prosecution of the war.

It stated: Victory will require maximum war production in both countries in the shortest possible time; speed with volume of war output, not monetary cost, is the primary consideration. To achieve this end will require maximum use of labor and raw materials of each country. The production and resources of both countries will be integrated and directed towards a common program of requirements. The production program of each country is to be integrated for maximum output. Scarce raw materials are to be allocated between the two countries to obtain maximum efficiency in utilization for the common cause. Legislative and administrative barriers, including tariffs, import duties, customs and other restrictions impeding the flow of munitions and war supplies between the two countries will be modified, suspended or eliminated during war.

Materials Co-ordination

ONE OF THE most vital necessities of a nation at war is an ample supply of raw materials. Many years before the outbreak of hostilities the Axis nations were laying away supplies of strategic war supplies.

More self-sufficient generally than the European and Asiatic belligerents, Canada and the United States nevertheless find their supplies of such materials as tungsten, tin, rubber and hemp placed in a critical position by the loss of Far East sources of supply.

Establishment of the Material Co-ordinating Committee, United States and Canada, was announced on May 1, 1941. The Committee was formed to promote the movement of primary materials between the two countries; increase available supplies, and collect and exchange information on raw material stocks in the United States and Canada. It is distributing available supplies for war production in the most effective manner possible.

The Committee since its formation has completed many arrangements on raw material supplies. It arranged for a large increase in Canadian aluminum production and substantially raised nickel output for United States consumption. The movement of zinc and copper concentrates to the United States has been increased. Large sales of lead and mercury have been made to the United States. It also arranged for the distribution between the two countries of chrome and manganese ore, cobalt metal and numerous "critical" metals. It has effected collaboration in the purchase of "critical" items, such as tin. It has dealt with matter concerning the movement of asbestos from this country.

The Committee has arranged for collaboration between the two countries on all phases of pulp and paper supply, and the export from Canada of electric energy.

Its work has been integrated with that of the combined Raw Materials Board for the United Nations in Washington.

The Home Front

Economic Controls

TO ENSURE maximum utilization of manpower and materials for war, and to prevent inequity in the distribution of resulting economic burdens, Canada has established a carefully integrated system of economic controls. Broadly, these controls are exercised through the government's financial policy, ceilings on prices and wages, war priorities for materials, and an increasing degree of control over production and distribution in general. The diagram on page 46 gives a picture of the control machinery.

Need for imposing a comprehensive set of controls to divert Canadian resources to war production was recognized from the outset. In the early months of the war the government adopted an expansionist policy in finance to stimulate production. As productive capacity developed and the national income rose, heavier taxes and government borrowings were used to drain away the increased income of individuals. This helped to keep down the rising demand for consumer goods and thus aided the government in obtaining the use, for war purposes, of the increase in output.

Gradually the field of control was broadened. The movement and use of essential materials were regulated. Manufacturing of luxury and semi-luxury goods was decreased or eliminated. While taxation and borrowings had succeeded in keeping down civilian demand, a point was reached where actual curtailment of civilian spending was needed and where it was clear they would have to be supplemented by more direct controls over prices and distribution if an inflationary spiral of prices and costs was to be avoided. A general price ceiling was imposed. At the same time steps were taken to stabilize wages and salaries,

CANADA'S WARTIME ECONOMIC CONTROLS

PARLIAMENT

THE GOVERNMENT

(EMPOWERED BY WAR MEASURES ACT, NATIONAL RESOURCES MOBILIZATION ACT AND MUNITIONS AND SUPPLY ACT TO CONTROL PHYSICAL AND HUMAN RESOURCES OF CANADA IN ANY WAY NECESSARY TO SECURITY OF THE STATE)

DEPARTMENT
OF
LABOUR

NATIONAL
WAR
LABOUR
BOARD

HAS
POWER TO
CONTROL
WAGES

DEPARTMENT
OF
MUNITIONS
AND SUPPLY

WARTIME
INDUSTRIES
CONTROL
BOARD

HAS POWER
TO CONTROL
SUPPLY OF
CERTAIN
SPECIFIED
WAR COMMOD-
ITIES

DEPARTMENT
OF
FINANCE

WARTIME
PRICES AND
TRADE
BOARD

HAS POWER
TO CONTROL
SUPPLY OF
ALL GOODS
AND
SERVICES
OTHER THAN
CERTAIN
SPECIFIED
WAR COM-
MODITIES

AND
PRICES OF
ALL GOODS
AND
SERVICES
OF WHAT-
SOEVER
KIND

FOREIGN
EXCHANGE
CONTROL
BOARD

HAS POWER
TO CONTROL
FOREIGN
EXCHANGE
TRANS-
ACTIONS

DEPARTMENT
OF
TRADE AND
COMMERCE

EXPORT
PERMITS
BRANCH

HAS
POWER
TO LICENSE
EXPORTS

**Interlocking*

and the Wartime Prices and Trade Board was given broad powers to regulate production or distribution in cases where this authority was not already vested in the Controllers appointed by the Department of Munitions and Supply.

Price Control

THE Wartime Prices and Trade Board was established September 3, 1939, under the authority of the War Measures Act, to provide safeguards against increases in the prices of food, fuel, housing accommodation and other necessities of life, and to ensure an adequate supply and equitable distribution of such commodities.

In the first two years of the war the Board was chiefly concerned with the provision of regular and adequate supplies, though maximum prices were set on wool, bread and flour, and butter, for brief periods, until the special conditions which made them necessary were remedied. Administrators were appointed to control wool, sugar, coal, hides and leather, animal and vegetable oils, and housing rentals.

The Board was also called upon to see that no one took advantage of the War Exchange Tax on exports, or the War Exchange Conservation Act, to raise prices by more than actual cost increases.

In 1941 emphasis began to shift from preventing profiteering and securing adequate supplies to the problem of controlling inflation. In August the powers of the Board were strengthened and its responsibilities enlarged to cover regulation of *all* prices. Arrangements were made for close cooperation with the Wartime Industries Control Board of the Department of Munitions and Supply. In October the Board instituted a system of licences for dealers in food and clothing. To curtail purchases it put into effect severe restrictions on consumer credit. These included a minimum down payment of $33\frac{1}{3}\%$ of the cash price on a long list of goods and a 12 month limit on the period over which instalments might be paid.

Set Price Ceiling

On December 1, 1941, the Maximum Prices Regulations came into effect. They set as a "ceiling" above which prices must not rise, the highest price at which each seller sold a product during the four weeks' basic period September 15 to October 11. This ceiling covers the prices of all goods except a few that are expressly exempt, and 13 classes of services such as supplying electricity and gas, and beauty parlour services, but not including most professional services, such as those of lawyers and doctors. Sales which are exempt include sales to the Department of Munitions and Supply, exports, sales of personal belongings and sales of bills of exchange, securities, title deeds, etc. Certain other exceptions have since been made to take care of normal seasonal fluctuations in price, or export and other problems. Outstanding among these are fresh fruit and vegetables, fish, furs, livestock and certain farm products sold by farmers to dealers and processors.

Even where a price is not under the "ceiling" it is carefully watched and if it rises unreasonably it may be put under the ceiling again. This was done with both onions and potatoes.

For new goods and seasonal goods which were not being sold during the basic period, prices are set which are in line with the ceiling prices of goods which were then being sold.

The Wartime Prices and Trade Board has been entrusted with the task of administering the price ceiling. To help it in carrying out this work the Board has appointed administrators and directors from the membership of each industry and trade; and co-ordinators for the four industrial groups: textiles, foods, metals, and paper products. In addition it has appointed administrators for retail and wholesale trade and for services. The total number is now 130. The Controllers of the Department of Munitions and Supply act as administrators for the Board in respect of the prices of the commodities under their jurisdiction. In addition regional offices have been established by the Board throughout Canada, and a Consumers' Branch, through which consumers' interests are cleared and the work of Women's Regional Advisory Committees is coordinated.

Cutting Out "Frills"

To make it possible to hold the price ceiling in the face of higher costs many difficult problems have had to be solved. In the basic period numerous retailers were selling stock which they had purchased earlier in the year at prices well below replacement costs. In some cases the retail ceiling price was actually lower than the price a retailer would have to pay to renew his supplies. Some wholesalers faced similar difficulties in relation to manufacturers' prices, and manufacturers in relation to cost of materials or wage rates, if they had not already adjusted their selling prices to increases in such costs prior to the basic period.

In addition to these "time lag" problems many industries have been faced with an increase in costs since the price ceiling has come into effect, increased costs of imports due to the Pacific war providing an outstanding example. To overcome such difficulties it has been necessary to share out higher costs among all the sections of the trade concerned, retailers, wholesalers, manufacturers, primary processors and importers alike, each absorbing a part of the burden in accordance with their ability to take a reduction in profit. In many cases a fair share of the total burden of higher costs is not too heavy for an individual business to shoulder and still carry on.

A second contribution to the solution of this problem is to offset unavoidable increases in costs by cutting out all unnecessary costs of production and distribution. To do this the Wartime Prices and Trade Board has established a Division of Simplified Practice to cooperate with administrators and with advisory committees which have been appointed in each trade. As a result, a series of orders have been issued covering conservation of scarce materials, simplification and standardization—elimination of "frills" and of competitive practices which do not contribute materially to the usefulness to consumers of goods or services.

Extend Aid by Subsidies

Even when higher costs are shared out and all possible economies have been made some industries find it impossible to maintain supplies at prices under the ceiling. In such

cases government assistance has been necessary, either in the form of subsidy, or through reduction or remission of taxes. The Commodity Prices Stabilization Corporation, a government corporation, has been set up to handle subsidy payments, when these are decided upon by the Wartime Prices and Trade Board. Temporary subsidies have been provided to allow the supply of milk and shoes to be maintained, but the necessity for subsidy has arisen chiefly in connection with imports. The Wartime Prices and Trade Board issued a statement of policy on import subsidies in which it listed over 30 classes of unessential goods which are not eligible for subsidy, but increased costs of other imports are met by a subsidy to ensure maintenance of supplies. In addition dumping duties have been done away with and provision made, in some cases, for calculating values for duty purposes on an invoice, not a "fair value," basis. Taxes levied in the country from which imports come are excluded from the value for duty purposes.

As shortages of certain supplies increase and prices are kept down the problem arises of restricting consumer purchases to the limits of the supplies available. The Board's administrators have made a number of orders providing for the conservation of such scarce materials as steel used in farm implements, hog's bristles, rubber, woollen and other fabrics, copper used in the rolls for printing rayon fabrics, gasoline and tires, and wrapping paper. It has also issued its first rationing order, limiting the use of sugar by householders to $\frac{3}{4}$ lbs. a person weekly and by industries to 80% of what each concern used in the corresponding quarter a year ago.

The Wartime Prices and Trade Board relies heavily on the cooperation of business, farmers, labour and consumers for the effectiveness of its regulations and this cooperation has been given generously. To bring any non-cooperative minority that might violate the regulation into line, there are penalties provided for both buyers and sellers. An Enforcement Administration with local counsel and investigators cooperating with existing government officials such as weights and measures inspectors of the Department of Trade and Commerce, has been set up and consumers have been organized in the Women's Regional Advisory Committees.

Labour

Government Labour Policy

CANADIAN war labour policy is aimed at avoidance of industrial strife and the utmost acceleration of production.

Fundamental principles of the policy to avoid labour unrest are:

1. There should be no interruption of work because of strikes or lockouts.
2. Employees should be free to organize in trade unions, free from control by employers or their agents and to negotiate with employers through their own representatives with a view to the conclusion of a collective agreement.
3. Workers should neither coerce nor intimidate any person to join their organization.
4. Fair wages, working conditions, hours of work and health and safety safeguards should be maintained.
5. Hours of work should not be unduly extended and increased output should be secured by using additional shifts.
6. Any necessary suspension of established labour conditions to speed up war production should be effected by mutual agreement and should apply only during the emergency.

In order that war industries will not be hampered by labour moving from one job to another, the movement of workers in war industries is restricted. Employers are forbidden to advertise for workers without stating that applications will not be accepted from workers in war industries except from a skilled tradesman not actually employed at his trade. They may not solicit by word of mouth workers in war industries unless they are skilled hands not employed at their trade. Civilian employees of the British Commonwealth Air Training Plan are included in the order.

Managerial, executive and other salaries for those above the rank of foreman or comparable positions are stabilized. Employers shall not increase salary rates paid to salaried employees higher than the rate established before November 7. Increases made since November 6 will have to be adjusted and probably cancelled. Salaries are defined to include bonuses and all other forms of income received from an employer. The order does not require payment of a cost-of-living bonus, as required for wage earners. It does permit, however, payment of the living bonus to employees receiving less than \$3,000 annually. The same scale of bonus payments applies to this class of salaried employee as to wage earners. Promotion of salaried officials, where a salary increase is involved, requires the approval of the Minister of National Revenue.

The wage and salary stabilization plan is linked to control of prices, and to measures to restrict profits. It is an integral and vital part of Canada's attack on the inflationary spiral of prices and wages.

Labour Relations

Machinery for settlement of industrial disputes dates back to the Industrial Disputes Investigation Act of 1907. The act applied originally to disputes in mines and industries connected with public utilities, but was extended early in the war to include all war industries.

Under regulations now in force, disputes arising in war industries, if not settled otherwise, must be referred to a conciliation board. No strike action may be taken until after the report of the conciliation board has been released and then only if a vote is taken under Department of Labour auspices and a majority of those eligible to vote favour a strike.

Wages

No employer may increase or decrease basic wage rates unless authorized to do so by the National War Labour Board, or a Regional War Labour Board. There are nine

Regional Boards, one for each province, on which Government, labour and employers are represented. Permission for a change in wage scales can be given only where the Board finds the basic wage scales to be low compared to those for similar occupations in the same locality or a comparable locality.

Excepted from this regulation are workers in agriculture, fishing, hunting, trapping or domestic service; employees of a hospital, religious, charitable, or educational institution as well as civil service employees of Federal provincial and municipal governments.

To adjust wages to wartime price levels it was ordered that after February 15, 1942, every employer (except in the classifications mentioned above) whether paying a cost-of-living bonus or not must pay a bonus for each point that the official cost-of-living index rises above the level of October, 1941. The changes are to be announced every three months by the National War Labour Board. In February it was announced that the cost-of-living index had declined a tenth of a point between October, and January, 1942. Therefore, there was no change in existing bonus payments, and employees not receiving the bonus did not get one. The next change, if any, will be announced to take effect in the first payroll after May 15.

The cost-of-living index stood at 115.7 (1935-39=100) at February 2, a rise of 14.8% since August, 1939. The index has moved as follows: 115.4 at January 2; 115.8 at December 1; 116.3 at November 1, and 115.5 at October 1.

Manpower

On March 24 Prime Minister King announced the Government's new program for the mobilization of manpower. The program, which classifies over 50 restricted occupations, will be administered by the Director of National Selective Service, Mr. Elliott M. Little, formerly Director of the Wartime Bureau of Technical Personnel. Mr. Paul Goulet was named Associate Director.

In *non-essential* industries no employer can engage a man of military age (17 to 45) and no man in that classification can accept employment in an unessential industry without a permit from a National Selective Service Officer, or unless he has been discharged from the armed services or can show that he has been rejected as physically unfit for military service.

Under another new order any one whose main occupation was agriculture at March 23 last, cannot take a job outside that industry without permission from a National Selective Service Officer. An employer cannot take an agricultural worker from the industry without permission. There are three exceptions: an agricultural worker can enlist voluntarily in the armed services; he can be called for compulsory military training, but is normally granted postponement if doing essential work, or he may do seasonal work in a primary industry.

Another regulation prohibits the employment of engineers (mechanical, electrical, chemical, metallurgical, mining) production and industrial engineers, college teachers of engineering science, research scientists, physicists, geologists, mathematicians, architects except with notice to and approval of the Wartime Bureau of Technical Personnel. Employers are obliged to release all such employees when they are called and to reinstate them when their work is completed.

The Minister of Labour is required to maintain an inventory of employable persons. For this purpose the records of the National Registration, 1940, have been transferred to the Department of Labour and a special registration of all employees in industries covered by the Unemployment Insurance Act is being made. Other classes of the population may be required to register from time to time as seems advisable.

War Emergency Training

Canada's War Emergency Training program to make skilled personnel available to war industry and the armed

forces continues to expand, a chief factor being the inclusion of courses for women.

At the end of February there were 14,978 men and women attending the 106 schools now operating in co-operation with the provincial governments and municipal boards of education. Total enrolment from April 1, 1941 to Feb. 28, 1942 was 67,095, compared with an estimate of 50,000 made at the start of the year.

Women represented almost 40% of the students enrolled in Ontario schools during January and more than 50% of those placed with industry.

Expansion of the classes to train workers for the shipyards and to train, or retrain men discharged from the armed services will account for further development in the months ahead.

Women in War Industry

FOR every fighting man on the battlefield or the high seas, modern warfare demands 17 of his comrades work in factories to provide him with equipment.

Today, as the number of actual combatants increases to meet the enlarging areas of warfare, a greater number of these "men behind the guns" will be women.

Canada's population of 11.5 millions is not large for the magnitude of the task it has undertaken. The three armed services will require 173,000 to 193,000 men in 1942. The demand for the weapons of war will rise and the men available to turn them out will diminish accordingly. Reserve of employable male workers still unemployed is nearing exhaustion. To reach the peak of war production, the Dominion must rely increasingly upon women for industrial labour.

Approximately 75,000 women are now working in war industries, along with 600,000 men—the proportion varying according to the nature of the work from 3% of the total

employed to about 60%. Starting mainly as inspectors, women have invaded every field of operation, except those where sheer strength is the prime requisite. They are making intricate radio and electrical devices, shell fuses, parachutes, and uniforms; they operate lathes and milling machines; they work in many sections of shell filling, explosives and chemical plants. In the vital aircraft production field their numbers have grown from a handful at the outbreak of war to a total larger than the pre-war total of all employees.

And while it is customary to associate female workers in aircraft plants with the sewing of fabric on airplane wings and fuselages, it is less well known that they now tackle the make-up of electrical wiring, rivetting, welding, and fitting of sub-assembling work on metal planes.

Women have to face a critical audience, and overcome a considerable amount of prejudice. The jobs that women have done compare favorably with those done by the men they have released for active service, it has been found. For certain kinds of work, requiring delicacy of touch, women's hands are defter. They exhibit greater patience than men in work which demands accurate and repetitive movements. There is developing a new demand for university women who have advanced training in mathematics, chemistry or radio, to fill many vacancies with the Inspection Board of the United Kingdom and Canada. About 300 women are already employed with the Board to inspect gun-barrels, gun carriage parts, fire control instruments, explosives and radio parts. Many more with technical training and education are being sought.

Supply

WAR will call for much heavier sacrifices from Canadians henceforth—in goods and services and all the normal amenities of peacetime living.

The decline in quantity and variety of civilian goods for sale will be sharp. By next Christmas, when existing inventories have been largely depleted, the effect of pro-

gressive restrictions will be abundantly clear. There will probably be no electric train under the Christmas tree or many other toys in which metal or rubber is used. The steel which might have gone into an electric train will have been used in the manufacture of a tank or a gun. Even the metal decorations used on the tree will probably be absent.

The June bride will not receive a chest of plate silver, for the use of Britannia metal has been banned for this purpose.

Women will have to struggle along with a restricted variety of cosmetics, shoes, hosiery, and articles made of rubber.

The vast appetite of war is making itself felt in every phase of Canadian living, in the office and home, at work, at play.

There will be no new passenger automobile for pleasure driving. When the tires presently being used wear out, many automobiles will have to be put up for the duration. This summer there will be fewer cars out pleasure driving, because the gasoline rations which went into effect April 1 will allow no excessive "non-essential" driving.

While Canadian industry was "tooling-up" for war production Canadians were relatively free from consumption restrictions. There were, in brief, sufficient raw materials and labor for war production and ordinary output. Any limitations were voluntary and augmented by the dissuasive force of taxation. That these factors alone were insufficient to cut civilian consumption was demonstrated by sharply increased retail sales, given impetus by the highest national income in history.

But as war production got into its stride it became evident that the demands of civilian consumption, swollen by war-created income, could not be satisfied without impairing Canada's war production program.

On December 7 last year an entirely new factor was inserted into the picture. Supplies from the far East, such as rubber, tin, hemp, tungsten and kapok were shut off.

Because of this, North America, which has become the arsenal of the United Nations, faces the almost certain prospect of providing a flood of war supplies with only the stocks of materials now on hand, plus substitutes which can be developed.

The situation is extremely serious. Only the most stringent economy, careful allocation and salvaging of materials will keep war industry operating at the speed of which it is capable.

This grave responsibility rests with the Minister of Munitions and Supply, whose control is exercised chiefly through:

- (1) The Wartime Industries Control Board.
- (2) The Priorities Branch of the Department of Munitions and Supply.
- (3) Crown companies operating in commodities, manufacturers and services.

The Wartime Industries Control Board, through its controllers, has wide powers, including the fixing of priorities and allocations over commodities, manufactures and services. It completely controls the supply and allocation of materials and commodities essential to the war effort.

The Priorities Branch fixes priorities of production, transport and delivery.

The Wartime Prices and Trade Board, which is responsible to the Minister of Finance, is the supreme authority in the whole field of price control. The policies of both the Wartime Industries Control Board and the Wartime Prices and Trade Board are co-ordinated through interlocking membership. The chairman of each Board is a member of the other Board. The Munitions and Supply controllers become members of the Wartime Prices and Trade Board pro tem when action affecting the goods and services under their jurisdiction is being considered. They have also been appointed administrators of the Price Board.

The controllers of the Wartime Industries Control Board have effected far-reaching measures in their respective fields to make Canadian war industry as productive as

possible and ensure a steady flow of materials to war factories.

A summary of the chief steps taken by the various controllers follow:

Supplies

The work of the supplies controller is to regulate the "production, sale, distribution, consumption and use" of anything which the Minister of Munitions and Supply designates as a "supply". He has "frozen" the stocks of kapok, raw silk, rubber, hemp, etc.; stopped the manufacture of radios, except by special permit; restricted the output of refrigerators, electric washing machines, stoves and vacuum cleaners; prohibited the sale by manufacturers after April 30 of a long list of products: metal toys, some electrical household appliances, metal office equipment, metal smoking stands, metal trunks and a wide variety of other products. The production of numerous articles of furniture where metal is used has been cut to 70% of monthly average consumption in 1940.

One of the most acute shortages exists in rubber. The Dominion is building a synthetic rubber plant to offset in part the loss of the natural product, but it will be well over one year before the output of this plant will be available.

A salvage campaign is being conducted this year to obtain 25,000 tons of scrap rubber to be converted into "reclaim" rubber. Civilian uses of rubber supplies are being practically eliminated. The use of reclaim rubber has been forbidden in the manufacture of hundreds of articles, and it may not now be used without a special permit. Tires will be available for only the most essential civilian use, such as for mail and fire trucks and doctors. Even used and re-treaded tires and tubes are under strict control. It is an offence punishable by fines or imprisonment to cut or destroy rubber articles.

Cork, manila hemp, and sisal are rigidly controlled by the supplies controller.

Steel

Despite large increases in output since war started, finding sufficient steel for war industries is a major problem. Backbone of industry in peace and war, steel production has been increased from 1.8 million long tons before the war to about 3 million tons at present.

Steel for the manufacture of civilian articles is gradually disappearing. No steel is now available to make many such familiar articles as baby carriages and lawnmowers. The shortage is so acute that its use for articles required even by the armed forces is being curtailed wherever possible.

About 90% of steel available in the Dominion is now being used for direct war purposes and the remaining 10% is for articles which are considered essential.

Metals

The United Kingdom and allied countries are given priority on the vast metal resources of Canada. The Dominion is curtailing her own use of many metals, which are found within the country in abundance, so that she may provide more of these sinews of war to her allies.

Canada produces aluminum, copper, zinc, nickel, lead, mercury, asbestos, antimony, cadmium, arsenic, cobalt, pyrites, sulphur, radium, ferro-alloys, magnesite, mica, fluor-spar and silica.

The metals controller regulates the supply, distribution and use of non-ferrous metals, industrial minerals and common metal alloys. It is an offence to hoard or misuse metals released for a specific purpose. The use of copper, zinc, and all other non-ferrous metals is now discontinued for the extension of gas, water sewage and power services. Domestic use and exports of metals are carefully supervised:

Controls on specific metals are as follows:

Aluminum: Aluminum Company of Canada is the sole producer and distributor of this metal in the Dominion. The principal component of airplanes, the use of aluminum in pots and pans is banned. Virgin aluminum cannot be used

as an oxidizer in the manufacture of shells. War orders for the primary metal are filled according to war order number, while all other orders are referred to the metals controller. Supplies of secondary and scrap aluminum are also closely controlled.

Copper and Brass: Control of these metals is affected through primary fabricators, who are placed on a quota. Their use for a wide variety of purposes has been eliminated or curtailed including: a long list of builders' supplies, copper wire, alloys, water tubes and pipes.

Lead: Ample supplies of lead are available in Canada, but to maintain exports the metal will soon be restricted. It has been in great demand as a substitute for controlled metals.

Magnesium: This is reserved strictly for war purposes. A plant is being erected for the production of magnesium metal by a new process developed by the National Research Council.

Nickel: Although Canada produces about 85% of the world's supply of nickel, restrictions have been placed upon its domestic use to meet the requirements of the Allies armament industries. Nickel is an important ingredient of war munitions.

Tin: This metal is on the "critical" list since Far East supplies were shut off. The shortage of tin is so critical that its use in the manufacture of even war materials and essential civilian commodities is being drastically curtailed. The use of virgin tin for any purpose is prohibited except by written permission of the controller. The use of tinplate for canning purposes is drastically regulated. Many household articles may no longer be made of this metal. Tin is one item which is particularly sought in the salvage program.

Tungsten: The Far East has been the principal supply source of tungsten, used for hardening steel. So serious is the shortage of this metal, tungsten content in machine tools is being reduced from 18% to 6%. The Dominion has been giving assistance to potential low grade producers in Canada. Low grade ores are concentrated at a laboratory in

Ottawa and brought up to a marketable grade. A government stockpile of ferro-tungsten is maintained for essential war purposes.

Zinc: The curtailment in consumption of zinc started May, 1941, and has extended to zinc oxide in paint; galvanizing of plumbing; zinc plates for lithographing and engraving concerns.

Oil

On April 1 gasoline was rationed to automobile operators. Every vehicle owner must register with the oil controller and obtain a gasoline license and ration book to cost \$1.00 for each vehicle.

It is planned to obtain consumption curtailment by reduction of non-essential private driving. Private cars of this type will be placed in a basic or A category. Other operators will be graded according to their needs.

Sales of gasoline and oil are still restricted to certain hours and credit can not be extended to operators. Only two grades of gasoline can be sold.

Through price increases and other means, production of crude oil has been stimulated in Alberta. Canada produces only about 17% of her requirements in crude oil.

Increased submarine activity on the Atlantic seaboard has deprived oil companies of valuable tanker space and made the need for conserving civilian consumption more urgent. One tanker can carry enough petroleum to provide one week's supply for Canadian users. In 1941, half of the Dominion's oil imports came in by ocean tanker. The destruction of numerous tankers therefore places a heavy burden upon the oil distribution system, which must be lightened by curtailing civilian use.

Machine Tools

Canada has increased machine tool production about 800% since the start of the war but four-fifths of domestic requirements must still be imported from the United States. Much of the machine controller's work is therefore in that country and close liaison is maintained with Washington.

Machine tools cannot be exported except under license. Import permits are required for privately imported machinery. The entire Canadian output of machine tools is purchased by the Government-owned Citadel Merchandising Corporation.

The production of new model refrigerators, stoves, washing machines, typewriters and similar equipment, which requires re-tooling is prohibited. Application can be made, however, for slight alterations in design which do not require substantial changes in machinery.

The controller in co-operation with the government-owned Company dealing in machine tools, determines preferences for machine tools and secures tools from "non-essential" plants for war industries more urgently requiring them.

Motor Vehicles

The last passenger vehicle for civilian use for the duration of war came off automobile production lines early this month. Automobile manufacturers will now turn an even greater proportion of their facilities to the production of military supplies.

Production of trucks in 1942 will now be exclusively for war purposes except that a permit may be granted for a new civilian truck when the need is imperative and in the public interest. Dealers will allocate new trucks still unsold on the same basis.

Construction Materials

No new construction, repairs, alterations, including the installation of machinery and equipment can be undertaken where the cost exceeds \$5,000 without license of the construction controller.

The only exceptions are projects undertaken or financed by the Dominion Government.

Chemicals

There is a shortage generally of chemicals which were imported formerly from the United States and Great Britain.

Several important items have been rationed, and export restrictions have been placed on a long list of chemicals.

No ethylene glycol is available for normal use. Restrictions have been placed on the use of all chlorine products, bakelite, lacquers and airplane dopes. Formaldehyde and all materials used by the plastic industry is scarce. Coal tar chemicals are difficult to obtain, and toluol is being used only for war explosives. Glycerine is strictly controlled and none can be sold except to persons designated by the controller.

Transit

Because of the wide increase in persons employed by industry and curtailment in private means of transportation, a heavy load has been placed upon public transportation systems. The transit controller has surveyed transit facilities and the wartime growth of traffic. Various means have been taken to lighten the burden, including the staggering of working hours and encouraging shoppers to avoid peak traffic hours. The use of buses for such non-essential purposes as sight-seeing is prohibited.

Timber

The timber controller was appointed to mobilize the timber trade and assist the British in buying timber supplies in Canada. Prices were stabilized so that centralized buying of the government could be effected as economically as possible. The controller has also evolved uses of wood as a substitute to relieve the demand for other materials such as steel.

Power

By a number of means power has been released to war industries, including: a ban on the use of electric energy for steam boilers; installation of controls on domestic water heating systems, and reduction of deliveries to certain non-war industries.

Finance

CANADA has laid down a war finance program the principal features of which are: war will be financed so far as possible by "pay-as-you-go" methods; increased taxation will be levied in accordance with ability to pay; every financial instrument will be used to avoid inflation and to reduce civilian consumption.

In the year which ends March 31, 1943, Canada will spend more than seven times the money spent in a normal peacetime year. The cost of war in this year alone will exceed by a wide margin the entire cost of the First Great War.

Following are estimates for direct war purposes by departments in the 12-month period of 1942-43:

National Defence:

Army Services	-----	\$997,000,000
Naval Services	-----	259,000,000
Air Services	-----	585,000,000
Sundry	-----	21,000,000
	-----	\$1,862,000,000
Munitions and Supply	-----	355,000,000
	-----	2,217,000,000
Less duplication and recoverable items	-----	150,000,000

Defence and Supply	-----	2,067,000,000
Other Departments	-----	146,000,000

Total	-----	\$2,213,000,000

In addition to \$2,213 millions for direct war purposes, a \$1,000 millions gift is being made to Britain. More than \$455 millions will be spent for normal government purposes, which brings total government requirements for the year to more than \$3,668 millions.

In comparison it may be noted that in the First Great War from August, 1914, to March 31, 1920, including

demobilization after the war, Canada spent \$1,670 millions on war.

The steadily mounting cost of war since its outbreak in September, 1939, is illustrated in the following tabulation:

Dominion Government Financing

Fiscal Years Ending March 31

(In Millions of Dollars)

Main Cash Requirements	1939	1940	1941	(a)1942	(a)1943
War Expenditures:					
Direct War Effort	34	141	819	1,431	2,213
Aid to Britain.....	—	104	316	1,029	(b)1,000
Non-War Expenditures	515	526	462	490	(c) 455
Total.....	549	771	1,642	2,950	3,668

Main Sources of Financing

Revenues.....	499	535	855	1,400
New Security Issues (Net)	66	394	498	1,611
(d)Residual Item.....	16(i)	158(i)	289(d)	61(i)
Total.....	549	771	1,642	2,950

(a) *Estimated.*

(b) *Consists of the \$1,000 million gift to cover U.K. requirements in food-stuffs, munitions and materials for the major portion of the year. In preceding years aid consisted of loans and repatriation proceeds.*

(c) *Main estimates only.*

(d) *Reflecting mainly net (i)ncrease or (d)ecrease in Government cash balance and Foreign Exchange Control Board internal financing.*

The greatly increased burden placed upon the Canadian Government has been met by increasing taxation and by borrowing money from Canadian individuals and institutions.

Direct taxes of all kinds raised more than five times as much last fiscal year as they did in the last full fiscal year before the war. Income tax rates were raised in June, 1940, and again in April, 1941. The graduated rates now begin at 15%, compared with 3% before the war. Exemptions have been lowered as well. In June, 1940, a National Defence Tax was imposed on practically everyone receiving salary or wages. The rates were 2% for a married person

1941-42

515 MILLIONS



ARMY

515 MILLIONS

997 MILLIONS

139 MILLIONS



NAVY

139 MILLIONS

\$\$\$
259 MILLIONS

\$ \$ \$ \$ \$

414 MILLIONS



AIR

414 MILLIONS

\$ \$ \$ \$ \$ \$
585 MILLIONS

52 MILLIONS



WAR FACT

52 MILLIONS

355 MILLIONS

111 MILLIONS (\$)



OTHER WAR SERVICES

111 MILLIONS

\$ 146

MILLIONS

\$ \$ \$ \$ \$ \$ \$ \$ \$ \$
1,029 MILLIONS LOANS, &c.



AID TO BRITAIN

IS LOANS. & C.

1,000 MILLIONS GIFT

\$ \$ \$ \$ \$ \$
11 MILLIONS

ORDINARY GOVERNMENT

11 MILLIONS

\$ \$ \$ \$ \$
455 MILLIONS (INCOMPLETE)

1942-43

and 3% for a single person. In July, 1941, these were raised to 5% and 7% respectively. The combined effect of these moves has been to increase the amount of tax on personal income and the number of persons paying income tax very considerably. Five times as many people as before the war now pay income taxes of all kinds, and married persons with incomes of from \$3,000 to \$10,000 pay from eleven to four times as much income tax as before the war.

Immediately after the outbreak of war in September, 1939, an excess profits tax was announced. The operation of this tax, combined with increases in corporation taxes, have now advanced the minimum rate of corporation tax to 40%. This is a very much higher rate than that prevailing before the war. Increase in corporate profits over the standard pre-war rates are subject to a tax of 79½%. This tax ensures that if any company does increase its profits because of war conditions, the Dominion Treasury will derive the bulk of the benefit.

Another measure to increase direct tax revenue which has been imposed since the outbreak of war, is the levying of a Dominion Government succession duty, in addition to the succession duties already imposed by the Provinces.

In order to spread the tax load as fairly as possible through all sections of the country, an arrangement has been entered into with the Provinces by which the exclusive right to levy personal income and corporation taxes is being transferred to the Dominion.

Before the war the Dominion Government secured indirect tax revenue from customs duties and a sales tax on a variety of commodities and also from excise taxes on automobiles, tires and tubes, liquor, beer and malt, wine, cigarettes, cigars, tobacco, matches and cigarette lighters, playing cards, cosmetics and toilet preparations, sugar, glucose and corn syrup, and long-distance telephone calls.

These taxes, with the exception of the sales tax, have been substantially increased since the outbreak of war. Customs duties have been increased.

In addition, there is a War Exchange Tax of 10% on all imports from non-Empire countries. The War Exchange Conservation Act prohibits importation of a long list of non-essential imports from non-sterling countries and has reduced the importation of another list of imports from these countries.

In addition to increases in existing indirect taxes, new taxes have been imposed since the outbreak of war on the following—radios, cameras, phonographs, vacuum cleaners, washing machines, electric toasters and other household appliances, soft drinks, gasoline, travel fares on trains, buses and airplanes, entertainment such as movies, concerts, sports events, horse racing, etc., and race track bets.

Since the outbreak of war Canadian individuals and institutions have loaned the Dominion Government more than \$2,600 millions in war loans, war savings certificates and interest-free loans. There have been four war loans, the First and Second War Loans, and the First and Second Victory Loans. The Second Victory Loan, with a minimum objective of \$600 millions, reached a total of nearly \$1,000 millions. The success of this largest loan in Canada's history was due principally to the excellent response of all Canadians. More than 1.6 million individual subscriptions were received. In other ways Canadians can lend money to the Government to support the war effort. There are war savings certificates, with denominations as low as \$5. There are war savings stamps, which sell for 25 cents and can be accumulated to purchase war savings certificates. The Government also receives interest-free loans.

Salvage

THE vital necessity for the salvaging of scrap and waste material has been strongly emphasized by events of the past few months. Canada's war production is getting into high gear. More and more raw materials are being poured into factories turning out increasing quantities of munitions and equipment. Japanese aggression in the Far East has placed tin, rubber and vegetable oil on the "critical" list. Steel, copper, zinc, lead, brass, glycerine and paper are

needed in such vast quantities that every source of supply in the country must be tapped if the machinery of total war is to remain operating at top speed.

The Director of the National Salvage Campaign has appealed for co-operation in saving and recovering scrap of all kinds: to manufacturers to turn in old, unusable machinery: to store and hotel keepers to undertake "house-cleaning" of their premises to release various kinds of metal equipment: to farmers to collect disused farm machinery and old milk and cream cans: to housewives to save fat, bones, bottles, papers and rags: and to all women's and young peoples' organizations to give voluntary help in the work of collecting salvage and making it available to the government. The railways now allow special rates on cars of mixed salvage shipped from outlying points to the nearest sorting centre.

Over 70 million pounds of waste paper have been collected. Its value to the munition factory can be gauged by the following figures: one ton of waste paper will produce material for any of the following:

- 1,500 shell containers
- 9,000 shell fuse component parts
- 47,000 boxes for small arms ammunition
- 3,000 boxes for aero cannon shells
- 1,000 packing cases for two-pounder shells

Waste paper is also converted into wallboard for building war plants and housing the armed forces.

Tin foil and tubes, which have contained toothpaste and other products can be melted down, purified, and used a number of times with only small loss.

An old automobile will yield enough scrap to make a tank cannon—25 will build a tank. About 100,000 cars are scrapped annually, and owners of automobile "graveyards" are being asked to speed up the stripping of saleable parts, and turn in the rest for steel scrap. For every ton of steel produced by the steel mills, a ton of scrap must be made available to feed the furnaces.

Housewives, who have already made valuable contributions in the form of discarded aluminum pots and pans, are now saving surplus or inedible fat for conversion into soap and glycerine. Rags are in great demand as machinery

wipers in war factories. About 25,000 tons of scrap rubber is urgently needed.

There are at present 3,000 local salvage committees in operation, involving about 125,000 active salvage workers. Thousands of tons of vital materials are being turned back into industry—materials that before the opening of the Salvage Campaign would have been relegated to the furnace or garbage dump.

War Risk Insurance

FREE INSURANCE against war damage will be provided by the Government to cover the homes and possessions of all Canadians. The maximum free property allowance proposed in a bill now under consideration will be \$3,000, with an additional \$800 for the furniture and personal belongings of a single householder. If he is married and his wife is living with him, the householder is allowed \$400 more, with \$100 for each child under 16 at home. A non-householder over 16 may be paid up to \$200. No property claim under \$50, and no chattel claim under \$25 will be paid.

For those who wish to insure against greater losses, insurance up to \$50,000 will be available upon paying a premium that will be the same throughout Canada. This insurance will also be backed by the Government, but in both cases all the necessary arrangements will be handled by established fire and casualty insurance companies, serving at cost. A committee of experts from these companies will advise the Government Supervisor of War Damage Insurance. They will receive no compensation beyond expenses.

To further the war effort, salvage from the damaged houses may be acquired by the Crown. For the same reason, no claims over \$400 will be paid—except when this delay means undue hardship or when there is a national need—until after the war. Meanwhile interest will be allowed. Payment then might be refused unless the money is spent on repairs and replacements. Any war damage suffered before the bill becomes law will be paid for under the free insurance limits, or under the \$50,000 limit if certain conditions are met.

W. D. J.

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